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**SABINE RIVER AUTHORITY OF TEXAS  
AND  
SABINE RIVER AUTHORITY,  
STATE OF LOUISIANA  
TOLEDO BEND - JOINT OPERATION  
WATER SUPPLY HYDROELECTRIC SYSTEM FUND  
FINANCIAL REPORT  
AUGUST 31, 2000**

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the entity and its governing body. The report is available for public inspection at the Baton Rouge office of the Louisiana State Auditor. Where appropriate, at the discretion of the parish clerk of court.

Release Date 12-27-00

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**BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.**  
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**INDEPENDENT AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS**

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Larry G. Broussard, CPA\* 1997

Lawrence A. Gramer, CPA\* 1999

Michael P. Grochet, CPA\* 1999

*Members of American Institute of  
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Society of Louisiana Certified  
Public Accountants*

To the Board of Directors,  
Sabine River Authority of Texas, and  
The Board of Commissioners,  
Sabine River Authority, State of Louisiana

We have audited the accompanying financial statements of the Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, as of and for the year ended August 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the Joint Operation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Toledo Bend - Joint Operation as of August 31, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Toledo Bend - Joint Operation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

The financial information for the proceeding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an opinion on the general purpose financial statements of the Toledo Bend - Joint Operation, as of and for the year ended August 31, 1999, which opinion was the same as that expressed on the current financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 19, 2000, on our consideration of the Toledo Bend - Joint Operation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

*Broussard, Poche, Lewis & Breaux LLP*

Lafayette, Louisiana  
September 19, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

TOLEDO BEND - JOINT OPERATION

COMBINED BALANCE SHEET -  
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP  
August 31, 2000

	Governmental <u>Fund Type</u> Water Supply and Hydro- electric <u>System</u>	Account <u>Group</u>  General <u>Fixed Assets</u>	<u>Totals</u> (Memorandum Only)	
ASSETS			August 31, <u>2000</u>	August 31, <u>1999</u>
Cash	\$ 132,701	\$ -	\$ 132,701	\$ 316,084
Other assets	25	-	25	25
Dam and spillway	-	18,659,332	18,659,332	18,659,332
Hydroelectric power plant	-	17,001,972	17,001,972	16,569,271
Reservoir and waterways	-	36,001,159	36,001,159	36,001,159
Buildings, structures and equipment	-	1,805,994	1,805,994	1,656,912
Total assets	<u>\$ 132,726</u>	<u>\$ 73,468,457</u>	<u>\$ 73,601,183</u>	<u>\$ 73,202,783</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	<u>\$ 432,700</u>	<u>\$ -0-</u>	<u>\$ 432,700</u>	<u>\$ 50,179</u>
Fund Equity:				
Investment in General Fixed Assets -				
Sabine River Authority, Texas	-	36,734,228	36,734,228	36,443,337
Sabine River Authority, Louisiana	-	36,734,229	36,734,229	36,443,337
Fund balance (accumulated deficit)	<u>(299,974)</u>	<u>-</u>	<u>(299,974)</u>	<u>265,930</u>
Total fund equity (accumulated deficit)	<u>(299,974)</u>	<u>73,468,457</u>	<u>73,168,483</u>	<u>73,152,604</u>
Total liabilities and fund equity	<u>\$ 132,726</u>	<u>\$ 73,468,457</u>	<u>\$ 73,601,183</u>	<u>\$ 73,202,783</u>

See Notes to Financial Statements.

TOLEDO BEND - JOINT OPERATION

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND TYPE  
Years Ended August 31, 2000 and 1999

	<u>Water Supply and Hydroelectric System</u>	
	<u>2000</u>	<u>1999</u>
Revenues:		
Intergovernmental	\$ 1,200,000	\$ 1,500,000
Miscellaneous	<u>406,392</u>	<u>425,876</u>
Total revenues	<u>1,606,392</u>	<u>1,925,876</u>
Expenditures:		
General government	<u>2,172,296</u>	<u>1,815,818</u>
Total expenditures	<u>2,172,296</u>	<u>1,815,818</u>
Excess (deficiency) of revenues over expenditures	(565,904)	110,058
Fund balance, beginning	<u>265,930</u>	<u>155,872</u>
Fund balance (accumulated deficit), ending	<u>\$ (299,974)</u>	<u>\$ 265,930</u>

See Notes to Financial Statements.

TOLEDO BEND - JOINT OPERATION

STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET (GAAP BASIS) AND ACTUAL - GOVERNMENTAL FUND TYPE  
Year Ended August 31, 2000  
With Comparative Actual Amounts for Year Ended August 31, 1999

<u>Water Supply and Hydroelectric System Fund</u>				
<u>2000</u>				
			Variance - (Over)	1999
	<u>Budget</u>	<u>Actual</u>	<u>Under</u>	<u>Actual</u>
Revenues:				
Intergovernmental revenues -				
Contributions from:				
State of Texas	\$ 750,000	\$ 600,000	\$ 150,000	\$ 750,000
State of Louisiana	750,000	600,000	150,000	750,000
Miscellaneous	<u>486,308</u>	<u>406,392</u>	<u>79,916</u>	<u>425,876</u>
Total revenues	<u>1,986,308</u>	<u>1,606,392</u>	<u>379,916</u>	<u>1,925,876</u>
Expenditures:				
General government -				
Salaries and fees	1,174,508	1,149,045	25,463	1,307,144
Supplies	50,700	44,302	6,398	44,432
Maintenance -				
Structures	125,800	44,722	81,078	81,048
Equipment	132,700	50,303	82,397	61,456
Miscellaneous services	178,600	129,693	48,907	135,619
Sundry charges	118,000	115,287	2,713	116,565
Capital outlays	<u>206,000</u>	<u>638,944</u>	<u>(432,944)</u>	<u>69,554</u>
Total expenditures	<u>1,986,308</u>	<u>2,172,296</u>	<u>(185,988)</u>	<u>1,815,818</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -0-</u>	<u>\$ (565,904)</u>	<u>\$ (565,904)</u>	<u>\$ 110,058</u>

See Notes to Financial Statements.



## TOLEDO BEND - JOINT OPERATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies

The financial statements of the Toledo Bend - Joint Operation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Operation's accounting policies are described below.

##### Reporting entity:

The Toledo Bend - Joint Operation is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority.

##### Fund accounting:

The Toledo Bend - Joint Operation uses one fund and one account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the fund because they do not directly affect net expendable available financial resources.

The Water Supply and Hydroelectric System Fund, a governmental fund type, is the general operating fund of the Operation. It is used to account for all the financial resources of the Operation.

##### Basis of accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

## NOTES TO FINANCIAL STATEMENTS

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The two major sources of revenues are intergovernmental and miscellaneous. Both of these are susceptible to accrual.

### Budgets:

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the Water Supply and Hydroelectric System Fund. The budget is prepared by the Toledo Bend Project Technical Board for formal approval by the Operating Board.

### Fixed assets:

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund, and the related assets are reported in the general fixed assets account group. All fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets in the general fixed assets account group are not depreciated.

### Memorandum only - total columns:

The total column on the Combined Balance Sheet is captioned "memorandum only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

### Comparative data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Operation's financial position and operations.

### Reclassifications:

As of August 31, 2000, reclassifications were made in the presentation of the financial statements for the prior year. These changes in the presentation did not affect fund equity as previously reported.

# NOTES TO FINANCIAL STATEMENTS

## Note 2. Changes in General Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance <u>09/01/99</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>08/31/00</u>
Dam and spillway	\$18,659,332	\$ -	\$ -	\$18,659,332
Hydroelectric power plant	16,569,271	432,701	-	17,001,972
Reservoir and waterways	36,001,159	-	-	36,001,159
Buildings, structures and equipment	<u>1,656,912</u>	<u>256,741</u>	<u>107,659</u>	<u>1,805,994</u>
	<u>\$72,886,674</u>	<u>\$ 689,442</u>	<u>\$ 107,659</u>	<u>\$73,468,457</u>

## Note 3. Contingent Liabilities

Public Law 98-571 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining term of the license to operate the Joint Project. The license expires 50 years from October 1, 1963. The waiver is contingent upon FERC determining that the power from the project is sold to the public without profit. All exemptions applied for through August 31, 2000 have been approved.

## Note 4. Service Items

Service items represent the cost of expenditures incurred by Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, individually, for the Joint Operation Water Supply and Hydroelectric System Fund.

## Note 5. Deposits

At year end, the carrying amount of the Operation's deposits were \$132,701 and the bank balance was \$139,186. Of the bank balance, \$138,343 was covered by federal depository insurance. The remaining \$843 was covered by collateral held by a third party bank in the Operation's name.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Litigation

The Operation is subject to various claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Operation in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Operation.

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TOLEDO BEND - JOINT OPERATION  
WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF EXPENDITURES -  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended August 31, 2000  
With Comparative Actual Amounts for Year Ended August 31, 1999

	<u>2000</u>		Variance -	
	<u>Budget</u>	<u>Actual</u>	(Over) <u>Under</u>	1999 <u>Actual</u>
Salaries and fees:				
Engineering services	\$ 40,000	\$ 18,823	\$ 21,177	\$ 78,775
Auditing	12,000	9,400	2,600	9,325
Other professional fees	65,000	61,856	3,144	73,730
Legal fees	3,000	4,458	(1,458)	25,000
Service items	<u>1,054,508</u>	<u>1,054,508</u>	<u>-</u>	<u>1,120,314</u>
	<u>1,174,508</u>	<u>1,149,045</u>	<u>25,463</u>	<u>1,307,144</u>
Supplies:				
Fuel	500	-	500	337
Motor vehicles	26,000	28,739	(2,739)	20,103
Heavy equipment	5,000	4,487	513	7,182
Floating equipment and boats	1,000	67	933	-
Minor tools and apparatus	6,000	4,779	1,221	5,538
Laundry and cleaning	5,000	2,531	2,469	3,578
Chemical and medical	500	40	460	127
Mechanical	1,200	1,124	76	870
Educational and instructional	3,000	376	2,624	4,665
Other	<u>2,500</u>	<u>2,159</u>	<u>341</u>	<u>2,032</u>
	<u>50,700</u>	<u>44,302</u>	<u>6,398</u>	<u>44,432</u>
Maintenance - structures:				
Building	3,500	3,460	40	3,646
Dam and spillways	20,000	7,104	12,896	45,959
Reservoir and adjacent lands	101,000	33,636	67,364	31,205
Other	<u>1,300</u>	<u>522</u>	<u>778</u>	<u>238</u>
	<u>125,800</u>	<u>44,722</u>	<u>81,078</u>	<u>81,048</u>

(continued)



TOLEDO BEND - JOINT OPERATION

SCHEDULE OF INSURANCE IN FORCE

FOR THE FISCAL YEAR ENDING AUGUST 31, 2000

(Policy Period June 30, 2000 Through June 30, 2001)

<u>NAME OF COMPANY</u>	<u>POLICY NO.</u>	<u>DESCRIPTION</u>	<u>LIMITS</u>
Northfield Insurance Company	KA000120	General Liability	\$1,000,000 Each Occurrence \$2,000,000 Aggregate
AEGIS Insurance Services	J0330A1A00	Excess Liability	\$35,000,000
Birmingham Fire Insurance Company	ST2605379	Property/Boiler & Machinery	\$147,000,000 P.D.
		Business Interruption	\$3,000,000 B.I.
		Contractor's Equipment	Per Scheduled Property
		Watercraft Hull	Per Scheduled Property
		Communications Equipment Radio/Tower	Per Scheduled Property
National Union Fire Insurance Company of Pennsylvania	CA7202931	Auto Liability/ Physical Damage - Texas	\$1,000,000 A/L Per Schedule
National Union Fire Insurance Company of Pennsylvania	5487938	Auto Liability/ Physical Damage - Louisiana	\$1,000,000 A/L Per Schedule
American Home Assurance	WC7205760	Worker's Compensation - Texas and Louisiana	\$1,000,000/ Accident \$1,000,000/ Policy Limit \$1,000,000/ Employee



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Fayette T. Dupré, CPA\*

To the Board of Directors,  
Sabine River Authority of Texas, and  
The Board of Commissioners,  
Sabine River Authority, State of Louisiana

We have audited the financial statements of the Toledo Bend - Joint Operations, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana as of and for the year ended August 31, 2000, and have issued our report thereon dated September 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Toledo Bend - Joint Operations's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

*Retired:*

Sidney L. Broussard, CPA\* 1980

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Lawrence A. Craner, CPA\* 1999

Michael P. Crochet, CPA\* 1999

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Toledo Bend - Joint Operation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the

*Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants*

\*A Professional Accounting Corporation



design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Toledo Bend - Joint Operation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 00-1.

A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not material weakness.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

*Broussard, Poche, Lewis & Breaux LLP*

Lafayette, Louisiana  
September 19, 2000

TOLEDO BEND - JOINT OPERATION  
WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended August 31, 2000

We have audited the financial statements of Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, as of and for the year ended August 31, 2000, and have issued our report thereon dated September 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of August 31, 2000 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses     ☐ Yes   ☒ No  
Reportable Conditions   ☒ Yes   ☐ None Reported

Compliance

Compliance Material to Financial Statements     ☐ Yes   ☒ No

Section II - Financial Statement Findings

00-1 Overexpended Budget

Finding: The Joint Operation overexpended its capital budget by \$432,944 and caused the Water Supply and Hydroelectric System to have a deficit as of August 31, 2000.

Recommendation: Fund expenditures should not be incurred without appropriate budget authorization and funding of the expenditures.

TOLEDO BEND - JOINT OPERATION  
WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended August 31, 2000

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.

# **Toledo Bend Project**

## **JOINT OPERATION**

**BETWEEN**

**Sabine River Authority of Texas and Sabine River Authority, State of Louisiana**

November 20, 2000

Legislative Auditor  
Attn: Engagement Processing  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

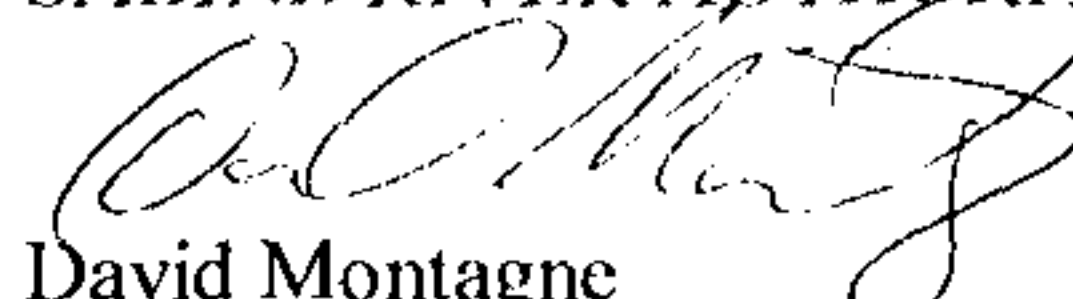
Re: Sabine River Authority Joint Operations

Dear Sir or Madam:

In response to the finding in the audit of the financial statements of Toledo Bend – Joint Operation for the fiscal year ended August 31, 2000; we submit this explanation and plan of corrective action.

The Toledo Bend Project Joint Operations budget for fiscal year ended August 31, 2000 included expenses to retrofit mechanical hydraulic governors, units 1 and 2 turbines, at the Toledo Bend Hydroelectric Power Facility. Subsequently, Sabine River Authority of Texas and Sabine River Authority of Louisiana agreed these expenses would be paid from the Contingency and Replacement (C & R) Fund and SRA Louisiana planned to remove the expense from their budget. The expense was also mistakenly removed from the Toledo Bend Project Joint Operations budget. The repairs were completed in the fiscal year ended August 31, 2000 however; approval from the electric companies to pay the expense from the C & R Fund was not obtained until after year-end. The accrual for the payable has been included in the year-end adjusting entries.

Sincerely,  
SABINE RIVER AUTHORITY OF TEXAS

  
David Montagne  
Authority General Office Manager/Controller